

Message Text

PAGE 01 BUENOS 06680 112036Z

72

ACTION ARA-20

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NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 IGA-02 AID-20 EB-11 CIEP-02

TRSE-00 STR-08 OMB-01 CEA-02 COME-00 FRB-02 XMB-07

OPIC-12 LAB-06 SIL-01 DRC-01 /199 W

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E.O. 11652: N/A

TAGS: ECON, ESTC, ETRD, AR, CU, US

SUBJ: ARGENTINE TRADE WITH CUBA

REF: A) STATE 175419; B) BA-6558; C) BA-6402

1. SUMMARY. I HAVE UNDERSTOOD AND AM CONCERNED THAT IMPLEMENTATION ARGENTINE CREDIT TO CUBA MAY BRING INTO EFFECT SECTION 620 (A) (3) OF THE FAA, AND, THAT FUTURE MILITARY TRAINING PROGRAM BASED ON GRANTS AND ADDITIONAL HOUSING LOAN GUARANTEES MAY BE AFFECTED. I ANTICIPATE MAJOR, IMMEDIATE BILATERAL DIFFICULTIES WILL RESULT FROM ANY TERMINATION OF GRANT AID MILITARY TRAINING PROGRAM. TRIGGERING OF OTHER US LAWS OR REGULATIONS WITH RESULTING DENIAL OF US BUNKER FUELS TO ARGENTINE VESSELS ENGAGED CUBAN TRADE APPEAR EVEN MORE LIKELY START BILATERAL DIFFICULTIES. I SUGGEST DEPARTMENT INITIATE THOROUGHGOING REVIEW OF POSSIBLE REPERCUSSIONS OF SITUATION WHICH WILL ARISE WHEN ARGENTINE VESSELS BEGIN CARRYING ARGENTINE EXPORTS TO CUBA (POSSIBLY IN ABOUT ONE MONTH), IN THE LIGHT OF OUR PRESENT POLICIES AFFECTING LATIN AMERICAN COUNTRIES TRADING WITH CUBA AND POSSIBLE CHANGES THEREIN. ALSO SUGGEST DEPARTMENT PREPARE APPROPRIATE MATERIAL WITH A VIEW CONFIDENTIAL

PAGE 02 BUENOS 06680 112036Z

TO HAVING SECRETARY KISSINGER DISCUSS MATTER WITH FONMIN VIGNES DURING COMING UNGA MEETING, IF SECRETARY THEN FINDS TIMING AND ATMOSPHERE APPROPRIATE. END SUMMARY.

2. WITH REFERENCE TO REFTEL (A), I AGREE THAT THE TERMS OF THE ARGENTINE CREDIT TO CUBA MAY, AT THIS POINT, BE CONSIDERED COMMERCIAL AND NOT CONCESSIONARY, ALTHOUGH WE MAY NEED TO REVIEW THIS CONCLUSION AT A LATER DATE WHEN THE ITEMS PURCHASED BY CUBA ARE KNOWN. THERE ARE RUMORS HERE THAT THE CUBAN BUYING MISSION HAS PLACED AN ORDER WITH AN "ARGENTINE" TIRE MANUFACTURER (USING GENERAL TIRE CO. TECHNOLOGY) TO SUPPLY PRODUCTS WORTH ABOUT US\$ 10 MILLION UNDER THE CREDIT AND VEHICLE TIRES ARE NOT NORMALLY TRADED ON THE BASIS OF 8.5 YEARS CREDIT. (FOREIGN OFFICE SOURCE HAS TOLD EMBOFF THAT EACH TRANSACTION UNDER CREDIT TO CUBA WILL ENJOY THIS FINANCING).

3. THERE IS LIKELIHOOD OF AN ADVERSE REACTION FROM GOA TO A TERMINATION IN USG READINESS TO EXTEND NEW GUARANTEES ON HOUSING LOANS. SINCE THE ADVENT OF THE NEW PERONIST GOVERNMENT, THE GOA HAS NOT INDICATED ITS DECISION ON WHAT, IF ANY, EXTERNAL BORROWING IT WILL SEEK IN THE HOUSING AREA. HOWEVER, NATIONAL HOUSING BANK OFFICIALS RECENTLY EXPRESSED INTEREST IN CONTINUING THE H.I.G. PROGRAM IN CONNECTION WITH THE PARQUEFIELD TRANSFER.

4. UNDER THE CURRENT CLIMATE EXISTING IN ARGENTINE, I EXPECT A STRONG REACTION FROM GOA TO ANY US INITIATIVE TENDING TO TERMINATE THE MILITARY GRANT AID TRAINING PROGRAM. SPECIFICALLY, WE ARE TOLD THAT BOTH THE ARGENTINE ARMY AND THE ARGENTINE AIR FORCE HAVE UNDER ACTIVE CONSIDERATION THE REDUCTION OR TERMINATION OF THE US ARMY MISSION AND THE US AIR FORCE MISSION RESPECTIVELY. INITIATIVES ARE BEING TAKEN TO ASSURE THAT THE ARGENTINE ARMY AND ARGENTINE AIR FORCE UNDERSTAND THE PRESENT AND POTENTIAL FUTURE BENEFITS TO THEM OF RETAINING CLOSE TIES AND RELATIONSHIPS WITH THE US. ANY TERMINATION OF THE MILITARY GRANT AID TRAINING PROGRAM WOULD CREATE IMMEDIATE REACTION HERE AND WOULD PROBABLY CAUSE THE ARGENTINE ARMED FORCES AND THE GOA TO OPT FOR TERMINATION OF THE MISSION AGREEMENTS. WHEREAS WE HAVE NO INDICATION THAT THE ARGENTINE NAVY HAS UNDER ACTIVE CONSIDERATION ANY PROGRAM TO TERMINATE OR TO REDUCE US NAVY MISSION. IN ANY CASE IT IS MY FIRM CONVICTION THAT REDUCTION OF TIES AND RELATIONSHIPS WITH ARGENTINE ARMED FORCES WILL WORK TO LONG TERM DISADVANTAGE OF BOTH US AND ARGENTINA. IT CONFIDENTIAL

PAGE 03 BUENOS 06680 112036Z

COULD CREATE A DANGEROUS VACUUM. GERMAN TRAINING OF AND MILITARY ASSISTANCE TO ARGENTINE ARMED FORCES PRIOR TO WORLD WAR II HAD STRONG PRO-NAZI INFLUENCE IN ARGENTINA. THE ARGENTINE ARMY IS STILL A PRIME POLITICAL FORCE IN ARGENTINA.

5. THERE IS ANOTHER POINT WHICH IT SEEMS TO ME HOLDS STILL MORE IMMEDIATE DANGER OF CREATING A CRISIS IN OUR BILATERAL RELATIONS THAN THOSE CONNECTED WITH CESSATION OF ASSISTANCE TO GOA. ALTHOUGH MY STAFF HAS BEEN UNABLE TO LOCATE SPECIFIC REFERENCES IN PERTINENT US LEGISLATION, WE FIND ON PAGE 57 OF THE BATTLE ACT REPORT FOR 1972 PREPARED FOR CONGRESS BY THE DEPARTMENT THE FOLLOWING:

QUOTE DOC REGULATIONS ALSO DENY PETROLEUM AND PETROLEUM PRODUCTS UNDER GENERAL LICENSE SHIP STORES TO ANY FOREIGN

VESSEL DEPARTING FROM THE UNITED STATES WHICH IS SCHEDULED TO CALL AT CUBA ON ITS CURRENT VOYAGE OR WHICH IS DETERMINED TO BE INELIGIBLE TO CARRY U.S.-FINANCED CARGO BECAUSE OF HAVING CALLED AT A CUBAN PORT SINCE JANUARY 1, 1963. UNDER THESE REGULATIONS, ANY FOREIGN VESSEL DETERMINED TO BE INELIGIBLE MAY NOT BE SERVICED UNLESS A VALIDATED EXPORT LICENSE IS ISSUED. VALIDATED LICENSES ARE NOT GRANTED FOR VESSELS WHICH HAVE ENGAGED IN TRADE WITH CUBA SINCE SEPTEMBER 24, 1967, PURSUANT TO A RESOLUTION OF THE ORGANIZATION OF AMERICAN STATES. END QUOTE

6. I ANTICIPATE THE FOLLOWING SCENARIO. ONE OF THE VESSELS OF THE STATE-OWNED ARGENTINE LINE ELMA WILL CARRY ITEMS DESTINED FOR CUBA ON A VOYAGE TERMINATING IN EITHER GULF OR EAST COAST US PORTS, THAT IS, ALONG ITS REGULAR CARGO ROUTE. SHOULD SUCH A VESSEL BE DENIED BUNKER FUEL FACILITIES IN US PORTS OR BE CAUSED TO REMOVE EXIM BANK FINANCED CARGOES FROM ITS MANIFEST, I EXPECT GOA WOULD REACT PROMPTLY AND STRONGLY.

7. AS OUR PREVIOUS MESSAGES ON THIS SUBJECT HAVE INDICATED, A CUBAN BUYING MISSION HAS BEEN VISITING ARGENTINE INDUSTRIAL PLANTS DURING THE PAST TWO WEEKS. WE HAVE ONE REPORT THAT THE GROUP HAS PURCHASED US\$ 10 MILLION OF TIRES FROM THE ARGENTINE RUBBER FIRM, FATE, A LICENSEE OF GENERAL TIRE AND RUBBER AND WITH WHICH ECONMIN GELBARD WAS OFFICER FOR MANY YEARS. PRESUMABLY, A SHIPMENT OF TIRES, ALTHOUGH NOT THE FULL VOLUME REPORTEDLY ORDERED, COULD BE READY FOR SHIPMENT QUITE PROMPTLY. THUS, I SEE A DANGER THAT US MAY BE FACED WITH THE PROBLEM OUTLINED IN THE PREVIOUS PARAGRAPH WITHIN 4-6 WEEKS
CONFIDENTIAL

PAGE 04 BUENOS 06680 112036Z

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8. ARGENTINA'S FONMIN VIGNES HAS BEEN AT THE NON-ALIGNED CONFERENCE IN ALGIERS. WE UNDERSTAND HE WILL RETURN TO BUENOS AIRES FOR ONLY A BRIEF PERIOD PRIOR TO TRAVELING TO NEW YORK FOR UNGA. IN THE CIRCUMSTANCES, I FEEL IT WOULD BE INADVISABLE TO SEEK ANY TYPE OF URGENTLY REQUESTED INTERVIEW WITH THE FONMIN TO DEAL WITH THE MATTER OF TRADING WITH CUBA AND ITS POSSIBLE REPERCUSSIONS ON OUR BILATERAL RELATIONS. THE DEPARTMENT AND THIS EMBASSY, DURING JUNE AND JULY, FOUND SEVERAL OPPORTUNITIES TO MAKE APPROPRIATE GOA OFFICIALS AWARE OF THE CONTENT OF US LAWS THAT BEAR ON THIS PROBLEM.

9. I SUGGEST NOW MAY BE THE TIME FOR AN IN-DEPTH REVIEW OF THE IMPLICATIONS OF OUR EMBARGO POLICY ON CUBA AS IT AFFECTS RELATIONS WITH ARGENTINA AND OTHER LATIN AMERICAN COUNTRIES. WHETHER OR NOT SUCH A REVIEW IS CONDUCTED, THE MATTER COULD APPROPRIATELY BE AN ITEM ON THE AGENDA FOR A POSSIBLE MEETING BETWEEN THE SECRETARY AND FONMIN VIGNES WHICH WE RECOMMENDED IN REF (B).
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